

Proposed business combination with Utility Software Services Pty Ltd and intention to undertake a placement

Highlights:

- *ApplyDirect has announced today a proposed business combination with Utility Software Services Pty Ltd (USS) (Proposed Acquisition). Like ApplyDirect, USS is a software as a service (SaaS) provider. Further, it offers IT consulting and support services with particular expertise in the energy retail market.*
- *The Proposed Acquisition is expected to enable the sharing of technical capability across both businesses, whilst also reducing the combined entity's cost base. USS will also add a significant and diversified revenue stream to ApplyDirect.*
- *ApplyDirect has entered into a term sheet with USS. The term sheet provides for USS to be acquired for \$4 million (on a debt free basis, and with normal levels of working capital, including \$650,000 in retained cash) in an all scrip offer. It is expected and intended that the Proposed Acquisition will be subject to approval by ApplyDirect's shareholders.*
- *Potentate Investments Pty Ltd (Potentate), a substantial shareholder of ApplyDirect and controlled by ApplyDirect non-executive director Michael Norster is the majority shareholder of USS. Potentate is supportive of the Proposed Acquisition.*
- *In light of recent positive developments for ApplyDirect, including the announcement of the proposed transaction (Proposed Transaction), the new long-term agreement with Advanced Personnel Management (APM) and the strong performance of the business during the September 2018 quarter, ApplyDirect's directors consider it an appropriate time to undertake a further placement for general working capital purposes. ApplyDirect's present intention is to undertake this placement before 2018 calendar year end.*

Monday, 26 November 2018: ApplyDirect Limited (ASX: AD1) (**ApplyDirect** or the **Company**) announces that it has executed a term sheet in relation to the proposed acquisition of Utility Software Services Pty Ltd (USS) (**Proposed Acquisition**) and is considering a capital raising prior to the end of 2018 in conjunction with the Proposed Acquisition to procure an accelerated breakeven position.

Proposed Acquisition

ApplyDirect has entered into a term sheet with USS in relation to the Proposed Acquisition. It is intended that ApplyDirect and the USS shareholders will enter into transaction documents on or before 21 December 2018 under which ApplyDirect will contract to acquire 100% of the issued share capital of USS. In the term sheet, USS undertakes to use best endeavours to ensure the Proposed Transaction proceeds in accordance with the proposed commercial terms and timeline.

Potentate Investments Pty Ltd (**Potentate**) is ApplyDirect's largest shareholder with an existing relevant interest of 10.21%. Potentate is controlled by Mr Michael Norster (a non-executive director of ApplyDirect) and in its capacity as a USS shareholder, supports the Proposed Acquisition. Potentate is the majority shareholder of USS and Mr Norster is also a director of USS. Accordingly, an independent board committee comprising Michael Kay and Bryan Petereit (**Independent Directors**) has been formed to consider and negotiate the Proposed Acquisition with a view to making a recommendation to ApplyDirect's non-associated shareholders as to whether the Proposed Acquisition is in their best interests.

Strategic rationale

The Proposed Acquisition is underpinned by a compelling strategic rationale.

USS is SaaS provider and IT consulting and support services firm with particular expertise in the energy retail market. The Proposed Acquisition will enable the combined entity to share technical capability, whilst also reducing the overall cost base.

USS also provides a significant and diversified revenue stream and its acquisition by ApplyDirect is likely to accelerate ApplyDirect's path to breakeven.

ApplyDirect Chairman, Michael Kay said: "One of our challenges since listing has been to increase our revenue, as we strive to achieve a position of breakeven. The acquisition of USS, should it proceed, helps us significantly on both of those fronts. Apart from the existing revenue streams of USS, there is the opportunity for ApplyDirect to grow our own existing functions through accessing the technical capability of the USS development team, at low cost. The Proposed Acquisition will also help us to build our market capitalisation to a more sustainable level".

Key commercial terms and conditions

The key commercial terms of the offer to be made to the shareholders of USS include the following:

- (a) the Proposed Acquisition will be subject to ApplyDirect shareholder approval for the purposes of the Corporations Act and the ASX Listing Rules and other customary conditions;
- (b) Subject to due diligence, USS will be acquired for \$4 million on a debt free basis with normal levels of working capital, including \$650,000 in retained cash; and
- (c) the consideration will be payable entirely by way of issue of approximately 133.33 million new fully paid ordinary shares in ApplyDirect at an effective price of \$0.03 per share that will be determined subject to the results of due diligence.

The implementation of the Proposed Acquisition is conditional on:

- the USS shareholders signing all relevant transaction documents, including a sale and purchase agreement;
- an independent expert report concluding that the Proposed Acquisition is fair and reasonable to ApplyDirect's non-associated shareholders;

- ApplyDirect holding an extraordinary general meeting and its shareholders approving the Proposed Acquisition;
- the shareholders of USS waiving any pre-emptive or similar rights in relation to the Proposed Acquisition for the purpose of the shareholders agreement of USS and all other purposes;
- any other third party or regulatory approvals or consents (including from ASX and ASIC) required or desired to be obtained in connection with the Proposed Acquisition are obtained on terms satisfactory to ApplyDirect;
- ApplyDirect confirming to its satisfaction that USS' owned and third party licensed intellectual property rights are appropriately protected and will not be impacted by the Proposed Acquisition; and
- there being no material breach of warranty and no material adverse change to the business of USS or any part of the business of USS prior to completion of the Proposed Acquisition,

and any other conditions precedent required by ApplyDirect as a result of its due diligence investigations.

It should be noted that ApplyDirect and USS have entered into a term sheet that is non-binding and conditional as to key commercial terms. In order for the Proposed Acquisition to be implemented, a number of conditions (including those outlined above) need to be satisfied and all shareholders in USS need to agree to sell their USS shares to ApplyDirect. There is no guarantee that this will occur on the commercial terms outlined above or at all.

Indicative timeline

The Company and USS are targeting execution of a sale and purchase agreement on or before 21 December 2018. USS has undertaken to use best endeavours to ensure the timeframe is achieved.

Given it is expected and intended that shareholder approval for the Proposed Acquisition will be required, it is intended that a general meeting of ApplyDirect be held in late February 2019 to consider the Proposed Acquisition and independent expert report. The Proposed Transaction is intended to complete in early March 2019.

Proposed Placement

The Company is also considering a capital raising by way of a placement of new fully paid ordinary shares in the Company to Australian based investors (**Placement**). The Placement is expected to be undertaken and completed prior to the end of 2018, with the proceeds to primarily be used for general working capital and growth purposes.

The Company used much of its placement capacity in a recent capital raising. Accordingly, the Company will seek to have its full placement capacity refreshed at its annual general meeting (which is being held on Monday, 26 November 2018) to allow further capital to be raised under the Placement.

ApplyDirect Chairman, Michael Kay said "There have been a number of positive developments for ApplyDirect in the last few months, including securing a long-term contract with APM, the announcement of our growth in cash receipts and our pursuit of the Proposed Acquisition, which is a very significant transaction for our company. On the back of these announcements, your directors believe this is an opportune time to raise further capital to support the working capital requirements of our business into the first half of calendar year 2019".

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About ApplyDirect

ApplyDirect is a provider of customer branded recruitment marketing platforms and related digital services. Its cloud-based solutions solve the problems created by disjointed HR technology that frustrates the candidate experience and misinforms the marketing strategy selected by employers.

We aim to provide employers with fast, direct access to high quality talent at a lower cost, with less hassle and in a way which cuts out the middle man.

Jobseekers discover the job they've always wanted but could never find, or access. We connect them with companies actually looking for candidates – organisations for which they want to work. We give candidates the platform and tools to develop their careers and secure the job that is right for them.

We aim to end the inefficiencies that exist in the market today, providing candidates and employers with a better experience. Our search engine assesses, consolidates and catalogues job listings and makes them easily available to the right candidates. Our platform takes the stress out of looking for the right job, and brings strong talent straight to an employer's door.

In October 2016, ApplyDirect entered into a strategic alliance with Mercury Group of Companies Pty Ltd (Mercury), the largest supplier of workforce management software to the healthcare sector.

The alliance connects ApplyDirect's industry first platform, HealthBuzz, with Mercury's workforce management software, bringing together employers and candidates directly – without the need for recruitment agents and job boards.